

# **RAILROAD COMMISSION OF TEXAS**

## **GAS SERVICES DIVISION**

### **GAS UTILITIES INFORMATION BULLETIN**

**No. 725**



## **RAILROAD COMMISSION OF TEXAS**

**Michael L. Williams, Chairman**  
**Charles R. Matthews, Commissioner**  
**Victor G. Carrillo, Commissioner**

**Steve Pitner**  
**Director**  
**Gas Services Division**

**June 10, 2003**

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**SECTION 1**  
**NEW APPEALS AND APPLICATIONS FILED**

|                   |    |  |
|-------------------|----|--|
| <b>DOCKET NO.</b> | -- | 9393   |
| <b>CAPTION</b>    | -- | Complaint and Request for Emergency Relief of Tractebel Energy Marketing, Inc., Against Hill-Lake Gas Storage, L.P.  |
| <b>DATE FILED</b> | -- | 05/15/2003   |
| <b>FILED BY</b>   | -- | John R. Hays, Jr.  |
| <b>EXAMINER</b>   | -- | John Chakales  |
| <b>DOCKET NO.</b> | -- | 9394   |
| <b>CAPTION</b>    | -- | Application of Seadrift Pipeline Corporation T-4 Permit #287 Waiver Request for 49 CFR 195.310(b)(1) and (8).  |
| <b>DATE FILED</b> | -- | 05/27/2003   |
| <b>FILED BY</b>   | -- | Jay Walthall   |
| <b>EXAMINER</b>   | -- | Lee Thying   |
| <b>DOCKET NO.</b> | -- | 9395   |
| <b>CAPTION</b>    | -- | Review of TXU Gas Distribution's Report of February 2003 Curtailment Event.  |
| <b>DATE FILED</b> | -- | 05/28/2003   |
| <b>FILED BY</b>   | -- |  |
| <b>EXAMINER</b>   | -- | Bill Geise   |
| <b>DOCKET NO.</b> | -- | 9396   |
| <b>CAPTION</b>    | -- | Application of Oneok Transmission Company for review of the sale of assets to Kinder Morgan Texas Pipeline, L.P.   |
| <b>DATE FILED</b> | -- | 06/09/2003   |
| <b>FILED BY</b>   | -- | David W. Heston  |
| <b>EXAMINER</b>   | -- | Mark Brock   |
| <b>DOCKET NO.</b> | -- | 9397   |
| <b>CAPTION</b>    | -- | Application of Crosstex Gulf Coast Trans., Ltd. for review of the acquisition of certain utility properties and interests of Acacia Natural Gas Corporation. |
| <b>DATE FILED</b> | -- | 06/09/2003   |
| <b>FILED BY</b>   | -- | Betsy J. McMahon   |
| <b>EXAMINER</b>   | -- | Rose Ruiz  |
| <b>DOCKET NO.</b> | -- | 9400   |
| <b>CAPTION</b>    | -- | Statement of Intent Filed by TXU Gas Company to Change Rates in the Company's Statewide Gas Utility System.  |
| <b>DATE FILED</b> | -- | 05/23/2003   |
| <b>FILED BY</b>   | -- |  |
| <b>EXAMINER</b>   | -- | Mark Evarts  |

**CASES REFERRED TO SOAH**

|                              |    |  |
|------------------------------|----|--|
| <b>DOCKET NO.</b>            | -- | 9291   |
| <b>CAPTION</b>               | -- | Request of Texas General Land Office for immediate action to stay abandonment and for establishment of transportation rate on Panther Pipeline, LTD. |
| <b>DATE REFERRED TO SOAH</b> | -- | 06/28/2002   |
| <b>SOAH DOCKET NO.</b>       | -- | 455-02-3446  |
| <b>SOAH ALJ</b>              | -- | Wendy Harvel   |

**DOCKET NO.** -- 9313  
**CAPTION** -- Petition for review of TXU Gas Distribution from the actions of the City of Arlington, et al.  
**DATE REFER-**  
**RED TO SOAH** -- 08/21/2002  
**SOAH DOCKET**  
**NO.** -- 455-02-4058  
**SOAH ALJ** -- Kerry Sullivan

**SECTION 2**

**APPEALS AND APPLICATIONS SET FOR HEARING OR PREHEARING CONFERENCE**

None at this time.

**SECTION 3**

**STATUS OF PENDING CASES**

None at this time.

**SECTION 4**

**NOTICES OF DISMISSAL**

None at this time.

**SECTION 5**  
**ORDERS OF THE COMMISSION**

STATEMENT OF INTENT FILED BY §  
CENTERPOINT ENERGY ARKLA TO § GAS UTILITIES DOCKET NO. 9345  
CHANGE RATES IN THE ENVIRONS OF §  
THE TEXARKANA SERVICE AREA §  
§

**ORDER**

Notice of Open Meeting to consider this Order was duly posted with the Secretary of State within the time period provided by law pursuant to TEX. GOV'T CODE ANN. Chapter 551, *et seq.* (Vernon 1994 & Supp. 2003).

This Order addresses the application of CenterPoint Energy Arkla, a division of CenterPoint Energy Resources Corp. (CenterPoint) to increase its rates in the environs of Texarkana, Wake Village, Nash, and Redwater, Texas. CenterPoint's proposal to increase rates is for consistency with the rates approved by the Cities of Texarkana, Wake Village, Nash, and Redwater. This Order approves the proposed rates; however, CenterPoint's quality of service standards and curtailment policy are not addressed in this docket. The Railroad Commission of Texas (Commission) adopts the following findings of fact and conclusions of law and orders as follows:

**FINDINGS OF FACT**

1. CenterPoint Energy Arkla, a division of CenterPoint Energy Resources Corp. (CenterPoint), owns and operates a natural gas distribution system serving the cities and environs of Texarkana, Wake Village, Nash, and Redwater, Texas.
2. As a utility, CenterPoint is subject to the jurisdiction of the Railroad Commission of Texas (Commission).
3. On November 19, 2002, CenterPoint filed with the Commission a Statement of Intent to change its rates in the environs of the Cities of environs of Texarkana, Wake Village, Nash, and Redwater that comprise CenterPoint's Texarkana Service Area (Texarkana Service Area Environs).
4. On May 8, 2003, CenterPoint filed a First Amended Statement of Intent and schedules incorporating changes and clarifications as requested by Commission Staff.
5. CenterPoint proposed to change the rates charged to Texarkana Service Area Environs customers so that the rates are similar to the rates that have already been approved by the cities for customers within their respective city limits.
6. CenterPoint's request for a rate increase in the City of Texarkana was approved by city ordinance dated August 26, 2002. CenterPoint's request for a rate increase in the Cities of Wake Village, Nash, and Redwater were approved by those cities' ordinances each dated September 9, 2002. All of these cities' ordinances reflected that the new rates were effective for bills rendered on and after September 21, 2002.
7. The rates proposed by CenterPoint are similar to those rates approved by the Arkansas Public Service Commission on August 9, 2002, effective September 21, 2002, and to those approved by the Cities of Texarkana, Wake Village, Nash, and Redwater, effective September 21, 2002.
8. CenterPoint requested an effective date of 35 days after the date CenterPoint filed its original Statement of Intent with the Commission.
9. On December 20, 2002, the Commission suspended the implementation of CenterPoint's proposed rates for 150 days from the date the rates would otherwise go into effect.
10. CenterPoint published notice for the proposed environs rates on January 4, 11, 18, and 25, 2003, in the *Texarkana Gazette*, a newspaper of general circulation in the territory affected by the proposed increase.

11. Affected persons were provided a deadline of February 18, 2003, to intervene, file comments, or protest the increase. No such requests were made and no hearing was conducted in this matter.
12. CenterPoint proposed increasing residential revenues by \$189,109, small commercial revenues by \$4,923, large commercial revenues by \$10,572, and service charge revenues in the amount of \$5,814 for a total proposed increase of \$210,418, excluding gas cost.
13. The proposed increase of \$210,418 (or 10.04%) to annual revenues for the Texarkana Service Area Environs is a major change as defined in TEX. UTIL. CODE ANN. §104.101 (Vernon 1998).
14. The data submitted to the Commission in this docket encompass a full test-year, i.e., the twelve-month period ending September 30, 2002.
15. The last rate increase in the Texarkana Service Area Environs was pursuant to the Commission's May 23, 1994, Order in Gas Utility Docket Numbers 8404-8407, *Statements of Intent Filed by Arkansas Louisiana Gas Company, a Division of Arkla, Inc. to Change Rates in the Environs of the Cities of Texarkana, Wake Village, Nash, and Redwater, Texas*.
16. The gas supply rate proposed by CenterPoint will not result in cost recovery for more than five percent (5%) lost and unaccounted for gas, in accordance with 16 TEX. ADMIN. CODE § 7.5525 (2002).
17. CenterPoint's proposed rate design creates three customer classes: residential, small commercial, and large commercial.
18. In the Texarkana Service Area Environs, CenterPoint's proposed rate changes will affect approximately 1,825 residential, 142 small commercial, and three large commercial customers.
19. Under the proposed rates, the residential environs customer charge will increase from \$5.25 to \$9.75. A residential customer with average monthly use of 48 Ccf will see an increase of \$8.64 (23.57%). CenterPoint will experience an increase in revenue of \$189,109 from the increase proposed by CenterPoint's Statement of Intent, consistent with Attachment A.
20. Under the proposed rates, the small commercial environs customer charge will increase from \$10.00 to \$13.00. A small commercial customer with average monthly use of 212 Ccf will see an increase of \$2.89 (2.00%). CenterPoint will experience an increase in revenue of \$4,923 from the increase proposed by CenterPoint's Statement of Intent, consistent with Attachment B.
21. Previously, CenterPoint's customer charge was \$175.00 for large commercial customers with annual consumption of 10,001-36,500 Mcf, \$300 for large commercial customers with annual consumption of 36,501-100,000 Mcf, \$750 for large commercial customers with annual consumption of 100,001 Mcf, or more. Under the proposed rates, large environs commercial customers will be charged:
  - (a) a distribution customer charge of \$290 per month;
  - (b) a distribution demand charge of \$5.5790/MMBtu up to 400 MMBtu of demand capacity, plus \$0.40000/MMBtu over 400 MMBtu of capacity demand;
  - (c) a distribution rate of \$0.0196 per MMBtu for all MMBtu consumed; and
  - (d) a gas supply rate that is calculated based upon whether the customer elects to receive gas supplied under the general system supply ("system supply option") or for customer's accounts at points of receipt on CenterPoint's distribution facilities ("transportation supply option" or "TSO"). TSO customers pay a contract administration fee of \$350.00 per month. A large commercial customer with average monthly consumption of 5,988 MMBtu will see an increase of \$293.67 (1.02%). CenterPoint will experience an increase in revenue of \$10,572 from the increase proposed by CenterPoint's Statement of Intent, consistent with Attachment C.
22. CenterPoint also proposed to increase its connect/reconnect charge from \$18.00 to \$37.00.
23. CenterPoint witness, Alan D. Henry, provided testimony that the increased connect/reconnect charge is necessary to reflect the actual cost incurred in initiating or reconnecting service for customers. He testified that the increased service charge reflects labor increases that have occurred since 1986.
24. CenterPoint did not propose to change any other miscellaneous service charge, as shown in Attachment F.

25. CenterPoint's Rider Schedule No. 1, shown as Attachment D, provides the company's proposed gas supply rate (GSR). CenterPoint's GSR is reasonable under the criteria in 16 TEX. ADMIN. CODE ' 7.5519 (2002) and should be approved.
26. CenterPoint's Rider Schedule No. 2, shown as Attachment E, provides the company's application of the weather normalization adjustment (WNA). CenterPoint's WNA calculation methodology is reasonable.
27. It is reasonable that for the third and subsequent GSR adjustments in any twelve-month period, CenterPoint will provide, within 30 days of the adjustment, written notification to the Commission providing justification for the adjustment.
28. The rates proposed by CenterPoint and described in these findings of fact are no greater than the rates approved by the Arkansas Public Service Commission or by the cities for the customers within the Cities of Texarkana, Wake Village, Nash, and Redwater.
29. The rates and service charge proposed by CenterPoint are just and reasonable.

### **CONCLUSIONS OF LAW**

1. CenterPoint is a gas utility as defined in TEX. UTIL. CODE ANN. § 101.003(7) and §121.001 (Vernon 1998 & Supp. 2003).
2. The Commission has jurisdiction over CenterPoint and CenterPoint's Statement of Intent under TEX. UTIL. CODE ANN. §§ 102.001 (Vernon 1998 & Supp. 2003), 104.001 (Vernon 1998), and 121.051 (Vernon 1998).
3. TEX. UTIL. CODE ANN. § 104.107 (Vernon 1998 & Supp. 2003) provides to the Commission authority to suspend the proposed rates for 150 days from the date the rates would otherwise go into effect.
4. In accordance with TEX. UTIL. CODE ANN. § 104.103 (Vernon 1998) and 16 TEX. ADMIN. CODE § 7.230 (2002) and § 7.235 (2002), CenterPoint provided proper notice of its statement of intent.
5. The proposed rates constitute a major change as defined by TEX. UTIL. CODE ANN. § 104.101 (Vernon 1998).
6. The proposed rates include gas cost recovery in accordance with 16 TEX. ADMIN. CODE § 7.5519 (2002).
7. CenterPoint is required by 16 TEX. ADMIN. CODE § 7.315 (2002) to file its tariffs electronically within 30 days of the effective date of this Order.
8. The revenue, rates, rate design, and service charge proposed by CenterPoint are just and reasonable, are not unreasonably preferential, prejudicial, or discriminatory, and are sufficient, equitable, and consistent in application to each class of consumer, as required by TEX. UTIL. CODE ANN. §104.003 (Vernon 1998).
9. The proposed revenue, rates, rate design, and service charge are reasonable and fix an overall level of revenues for CenterPoint that will permit the company a reasonable opportunity to earn a reasonable return on its invested capital used and useful in providing service to the public over and above its reasonable and necessary operating expenses, as required under TEX. UTIL. CODE ANN. § 104.051 (Vernon 1998) and otherwise comply with Chapter 104 of the TEXAS UTILITIES CODE.
10. The revenue, rates, rate design, and service charges proposed will not yield to CenterPoint more than a fair return on the adjusted value of the invested capital used and useful in rendering service to the public, as required by TEX. UTIL. CODE ANN. § 104.052 (Vernon 1998).
11. CenterPoint has met its burden of proving that the proposed rates are just and reasonable, as required under TEX. UTIL. CODE ANN. §104.008 (Vernon 1998).

12. It is reasonable for the Commission to allow CenterPoint to include a gas supply rate in its environs rates to provide for the recovery of its gas costs in accordance with 16 TEX. ADMIN. CODE § 7.5519 (2002).

**IT IS THEREFORE ORDERED BY THE RAILROAD COMMISSION OF TEXAS THAT** the Suspension Order entered in Docket No. 9345 is **HEREBY DISSOLVED**, and the rates proposed by CenterPoint to be charged for natural gas service in the Texarkana Service Area Environs are **HEREBY APPROVED** only for natural gas service or for gas delivered to the customer on or after June 12, 2003. These rates and service charges shall apply only in the Texarkana Service Area Environs as of June 12, 2003 and shall not apply to any other system that CenterPoint acquires after the date of this Order.

**IT IS FURTHER ORDERED THAT CENTERPOINT SHALL** include in its gas supply rate only those expenses directly related to the various financial instruments used to stabilize gas prices as described in the Statement of Intent, Rider Schedule No. 1, Gas Supply Rate (GSR), Paragraph 1.2.1. Cost of Gas Sold. CenterPoint shall file monthly a report including a detailed description of any financial instrument transaction executed or utilized by the company in accordance with its Cost of Gas Sold Paragraph 1.2.1 provisions. CenterPoint shall include any revenues and costs, to the extent known. In addition, CenterPoint shall file with its annual report a summary of these transactions including, revenues and costs.---

**IT IS FURTHER ORDERED THAT** CenterPoint shall file monthly a report of its daily weather normalization coefficient calculation.

**IT IS FURTHER ORDERED THAT** CenterPoint shall not recover more than five percent (5%) of the total lost and unaccounted for gas.

**IT IS FURTHER ORDERED THAT** if CenterPoint has a need to make three or more adjustments in any twelve-month period to its gas supply rate, then CenterPoint shall provide written notification to the Commission within thirty days of the third and subsequent adjustments, providing justification for the adjustment.

**IT IS FURTHER ORDERED THAT** within 30 days of the date of this order **CENTERPOINT SHALL** electronically file tariffs and rate schedules in proper form that accurately reflect the rates approved by the Commission in this proceeding.

**IT IS ORDERED THAT** all relief not specifically granted herein is **DENIED**.

**SIGNED AT AUSTIN, TEXAS the 10th day of June, 2003**

**RAILROAD COMMISSION OF TEXAS**

/s/ Michael L. Williams

**MICHAEL L. WILLIAMS, CHAIRMAN**

/s/ Charles R. Matthews

**CHARLES R. MATTHEWS, COMMISSIONER**

/s/ Victor G. Carrillo

**VICTOR G. CARRILLO, COMMISSIONER**

**ATTEST**

/s/ Kim Williamson

**SECRETARY**



## 1. GAS SUPPLY RATE (GSR)

### 1.1. GAS SUPPLY RATE (GSR) APPLICABILITY AND REQUIREMENTS

The charges for gas sales service contained in Arkla's total billing to sales customers shall include the cost of gas sold as identified in this Rider. For purposes of this Rider the cost of gas sold shall include the sum of all gas purchased for Arkla's customers, upstream transportation charges, storage charges, the cost of gas withdrawn from storage less the cost of gas injected into storage, any transaction-related fees, gains or losses and other transaction costs associated with the use of various financial instruments used by Arkla to stabilize prices.

### 1.2. DEFINITIONS

1.2.1. Cost of Gas Sold - For purposes of this clause the cost of gas sold during a month shall be the sum of all gas purchased for the customers, transportation and storage charges, the cost of gas withdrawn from storage less the cost of gas injected into storage, and any transaction-related fees, gains or losses and other transaction costs associated with the use of various financial instruments to stabilize gas prices.

1.2.2. Lost and Unaccounted for Gas (LUFG) – For purposes of this clause LUFG will be the portion of the Cost of Gas Sold that is not delivered to sales or transportation customers. More specifically it will contain Shrinkage, Company Used Gas, and Remaining LUFG (RLUFG). Shrinkage is calculated by rate classification at the time of billing and represents a calculation of gas delivered but not measured to customers due to known departures from the Ideal Gas Laws. Company Used Gas is gas measured directly to Arkla facilities, and RLUFG is total LUFG less Shrinkage and Company Used Gas. Arkla shall not be allowed to recover LUFG in excess of 5%, computed on an annual basis.

1.2.3. Fixed Transportation Charges - Charges incurred for transporting gas to Arkla's system that do not vary with the volume of gas being transported, including, for example, pipeline Firm Transportation (FT) and No Notice Transportation (NNT) demand and/or reservation fees.

1.2.4. Fixed Storage Charges - Charges incurred for storing gas that do not vary with the volume of gas injected into or withdrawn from storage, including, for example, Firm Storage Service (FSS) demand and/or reservation fees.

1.2.5. Fixed Gas Supply Charges - Charges incurred for the acquisition of gas supply that do not vary with the volume of gas purchased, including, for example, supply demand and/or reservation fees.

### 1.3. GSR FILINGS

#### 1.3.1. Scheduled GSR Filings:

Arkla shall make two Scheduled GSR Filings each year: a Winter Season GSR and a Summer Season GSR. The Winter Season GSR shall be effective for billings rendered to customers during the months of November through the following March. The Summer Season GSR shall be effective for bills rendered to customers during the months of April through the following October.

The Winter Season GSR filing shall contain rates reflecting: (1) the then current estimate of gas cost revenue requirement for the period between the effective date of filing and the next Summer Season GSR; and, (2) all of the annual actual cost (true-up or secondary adjustment factor) adjustments and any refund factor adjustments relating to or arising during the immediately preceding 12 months ending August each year.

The Summer Season GSR filing shall contain rates reflecting: (1) the then current estimate of gas cost revenue requirements for the period between the effective date of the Summer Season GSR and the effective date of its next Winter Season GSR; and, (2) maintaining all of the actual cost of gas adjustment (annual true-up or secondary adjustment) and any refund adjustments.

#### 1.3.2. Unscheduled GSR Filings:

Should a projected under or over recovery balance arise during any seasonal PGA period which exceeds ten percent (10%) of the projected annual gas cost per the most recent scheduled PGA filing, then the Company may propose an Unscheduled PGA filing.

If an Unscheduled PGA Filing is made, that filing: (1) must contain rates reflecting the then current estimate of the gas cost revenue requirement for the period from the effective date of such filing to the next scheduled filing, and (2) must maintain all of the actual cost of gas adjustment (annual true-up or secondary adjustment factors) and any refund adjustment factors.

The Unscheduled PGA Factor shall remain in effect only until the next scheduled PGA Filing.

1.3.3. Scheduled and any Unscheduled GSR filings shall be filed with the Commission by the last business day of the month immediately preceding the month the proposed new GSR factor will be implemented.

#### 1.4. ALLOCATION OF COSTS

##### 1.4.1. Calculation of Demand Cost Component:

Calculating demand costs - The demand gas cost revenue requirement component shall be the annual total of the gas costs that do not vary with the actual consumption, such as fixed transportation and storage costs, fixed gas supply charges, and fixed financial charges associated with financial instruments purchased to stabilize prices.

Calculating demand cost allocation- The demand cost component of each season's filing shall be calculated by multiplying the total annual projected demand costs by the appropriate allocation factors for those demand costs for the respective RS-1, and the non- TSO SCS, and LCS customers.

##### 1.4.2. Calculation of Commodity Cost Component:

Calculating commodity costs by season - The commodity gas cost revenue requirement component of each season's GSR shall be the sum of all gas cost purchased for sales customers other than demand costs or LUFG costs, such as variable transportation costs, gas supply commodity costs, and the transaction costs associated with the use of futures contracts and options and other prudently incurred costs associated with various financial instruments purchased by Arkla to stabilize gas supply rates. The commodity gas costs shall include the commodity cost of storage withdrawals and injections. Arkla will utilize any technique or method it deems reasonable for purposes of estimating the commodity cost component of each seasonal filing.

Seasonal Commodity Cost Allocation - the seasonal commodity costs assigned to RS-1 and non-TSO SCS and LCS customers will be determined by multiplying the Seasonal Commodity Cost by the ratio of estimated sales volumes for the respective classes in that season. For purposes of Commodity allocation and the establishment of Commodity rates, the SCS-1 class will be combined and considered as one class.

##### 1.4.3. LUFG Allocation:

For purposes of LUFG allocation, and the establishment of LUFG rates, the SCS-1 class will be combined and considered as one class. LUFG will be allocated to the respective rate classes based on the factors established below for each of the components of LUFG:

Shrinkage – for each rate class (including regular sales and TSO customers) shall be determined based on cost causation.

Company Used Gas – shall be determined by the direct measurement of the gas consumed by Arkla facilities, and allocated to each rate class (including regular sales and TSO customers) based on the ratio of the number of customers in each class and the total for such classes.

Remaining LUFG (RLUFG) – shall be defined as the difference between (a) total LUFG; and (b) the sum of Shrinkage and Company Used Gas established above. It shall be allocated to the respective customer classes as follows:

55% based on the volumes for the most recent twelve-month-ending August period of the rate classes (including regular sales and TSO customers).

35% based on the demand components for the rate classes (including regular sales and TSO customers).

10% based on the annualized number of customers of the rate classes (including regular sales and TSO customers) as of the most recent twelve-month-ending August period.

#### 1.5. RATE CALCULATION

RS-1 Customers - The GSR for Residential customers will be a per Ccf rate that is determined by summing the allocated costs in Parts 1.4.2. and 1.4.3. above and dividing that total by the projected seasonal volumes for the residential class and adding that result to the per Ccf rate determined by dividing the allocated annual costs in Part 1.4.1. by the estimated annual sales volumes.

SCS and LCS Customers - The commodity portion of the rate for non-TSO customers will be determined by respectively summing the allocated costs in Parts 1.4.2. and 1.4.3. above and dividing that total by the projected seasonal volumes for the respective classes. SCS-1 customers will be combined and considered as one class for purposes of determining the commodity portion of the rate. While the calculation will be made in Ccf, it will be appropriately translated to MMBtu as needed.

The demand portion of the rate for LCS non-TSO customers will be charged to the customers based on their assigned CD's in MMBtu. The rate will be determined by dividing the respective classes allocated costs in Part 1.4.1. above by their respective annualized CD's. Since the demand charges are part of an overall non-specific set of upstream contracts, the support for their allocations will be provided in the schedules supporting the filing.

1.6. SPECIAL PROVISION REGARDING TSO CUSTOMERS

LUGF costs - Customers under the TSO option may provide LUGF-in-Kind gas volumes. The LUGF-in-Kind (volumetric delivery requirement) for each customer's account will be determined based on the most recent twelve-month ended August period and expressed as a percentage of the gas delivered for the customer's account at the customer's point of consumption. The percentage will be determined by dividing the allocated volumes of total LUGF in the respective class (SCS or LCS) by the total estimated sales volumes in their respective class.

Assignment of Surcharges to TSO Customers - In the event an LCS-1 or SCS-1 customer changes its supply service election at the end of the contract term from the system supply option (SSO), the amount of the deferred gas cost account attributable to that customer shall be charged or distributed to that customer, whichever is applicable. The charging to or distribution of the deferred gas cost account attributable to that customer shall be removed or added to the deferred gas cost account of the applicable rate schedule.

1.7 DEFERRED PURCHASED GAS COST ACCOUNTS

Arkla shall establish and maintain a Deferred Gas Cost Account(s) in which shall be recorded any over or under recovery resulting from the operation of the GSR procedure. Such over or under recovery by class shall be determined monthly by comparison of the actual Cost of Gas Sold as defined above for each cost month to the gas cost revenue recovery for the same revenue month as the cost month. The accumulated balance of over or under recovered gas costs, plus the carrying charge described below, shall be used to determine the surcharge. The surcharge shall be computed annually by dividing each class' cumulative balance over recoveries or under recoveries as of the end of each August by the respective class' estimated volumes of sales for the projected twelve-month period. The surcharge shall be filed annually and will be included with the Scheduled Winter Season GSR Filing and shall be rounded to the nearest \$0.0001 per Ccf. The surcharge shall remain in effect until the earlier of: (1) superseded by a subsequent surcharge calculated according to this provision or, (2) the beginning of the second revenue month following the month in which the full recovery or refund is accomplished if such full recovery or refund is accomplished prior to the end of the established recovery period.

A carrying charge shall be included in the monthly under or over recovery balance resulting from the monthly comparison of the actual Cost of Gas Sold to the revenue recovery resulting from the application of the prescribed GSR, and a carrying charge shall be included in the monthly under or over recovery balance applicable to the surcharge. The monthly carrying charge shall be determined by multiplying the average of the beginning and ending month balance of under or over recovery for the cost month times the rate of interest applicable to customer deposits.

1.8. DEMAND ALLOCATION

It is recognized that over time as customer classifications change or demand levels change, the accuracy of the originally approved demand factors may deteriorate. Arkla can request a change in the allocation procedures with a minimum three month lead time prior to the filing date for the seasonal filings. Changes under this provision are limited to changes required to restore the accuracy of the originally approved demand factors and shall be not be used by either Arkla or Staff to implement changes in allocation methodologies that would normally require a general rate application.

1.9. REFUND PROVISION

If an increase in the cost of gas paid or payable to Arkla shall be reduced by the final order of a duly constituted regulatory body or the final decree of a court, if appealed thereto, and such increase shall have been reflected in Arkla's rate to the extent and in the manner specified in this GSR, Arkla shall report to the Commission the receipt of any refunds resulting from such final order or decree. Thereupon, Arkla shall submit for the Commission's approval a plan to make equitable disposition of such refund monies to the extent such monies represent increased charges paid by its customers as result of this GSR; provided, however, that if the amount to be refunded to customers hereunder with respect to a particular refund received does not amount to more than one-tenth cent per Ccf, then Arkla will apply that refund as a credit in its cost of gas computations hereunder for the month in which it receives the refund from its supplier. Nothing in this clause shall be construed to require refunds or a reduction of Arkla's rate as a result of such an order reducing the cost of gas where the original increase in the cost of gas has not been reflected in Arkla's billings for its sales to customers under this rate schedule.

**1.10. APPLICABLE RATE SCHEDULES**

Residential Firm Sales Service (RS-1)

Small Commercial Firm Sales Service (SCS-1)

Large Commercial Firm Service (LCS-1)

**1. RESIDENTIAL FIRM SALES SERVICE (RS-1)****1.1. AVAILABILITY**

1.1.1. This rate is available to any consumer where gas is delivered to an individually metered, single, private dwelling and its appurtenances, the major use of which is for household appliances, and for the personal comfort and convenience of those persons residing therein. This rate schedule is not available for any dwelling used principally for commercial purposes. Natural gas supplied hereunder is for the individual use of the customer at the point of delivery and shall not be resold or shared with others. Standby service is not available under this rate schedule.

**1.2. RATES**

1.2.1. Each customer receiving service under this rate schedule shall be charged the sum of (a), (b), and (c) as follows:

(a) Monthly Customer Charge -- \$9.75. The monthly customer charge shall be pro-rated in the months that the customer initiates and terminates gas service.

(b) Distribution Rate:

First 50 Ccf at \$0.26300 per Ccf

Over 50 Ccf at \$0.18470 per Ccf

(c) Gas Supply Rate - The Gas Supply Rate will be calculated and adjusted periodically as defined in the Company's Gas Supply Rate Rider.

**1.3. MINIMUM CHARGE**

1.3.1. Monthly Customer Charge -- \$9.75. The monthly customer charge shall be pro-rated in the months that the customer initiates and terminates gas service.

**1.4. RIDERS**

1.4.1. In addition to the Gas Supply Rate Rider, the following riders are applicable to service under this rate schedule:

| Rider<br>Name | Description                         | Identification on<br>Customer Bills |
|---------------|-------------------------------------|-------------------------------------|
| WNA           | Weather Normalization<br>Adjustment | Weather Normalization Adjustment    |

1.4.2. Service will be rendered under this rate schedule until service is discontinued to customer or the schedule is superseded.

**1.5. RULES AND REGULATIONS GOVERNING UTILITY SERVICE**

1.5.1. The Commission's Special Rules of Practice and Procedure and Substantive Rules and the Company's Standard Rules and Regulations, as the same may from time to time be changed in accordance with the law, shall be applicable to service under this rate schedule.

**2. SMALL COMMERCIAL FIRM SALES SERVICE (SCS-1)****2.1. AVAILABILITY**

- 2.1.1. This rate schedule is available at points of adequate capacity and suitable pressure on the Company's existing facilities. This rate schedule is available to any consumer engaging in business, professional, institutional or other non-residential activity supplied at an individually metered point of delivery for all uses of gas. Natural gas supplied hereunder is for the individual use of the customer at the point of delivery and shall not be resold or shared with others. Standby service is not available under this rate schedule.
- 2.1.2. Gas consumption under this rate schedule is limited to 365,000 Ccf in any 12 consecutive month period. If at any time, it is anticipated, based on Company's estimate, that the customer will consume in excess of 365,000 Ccf per year in the succeeding 12 consecutive month period, the customer shall become subject to the applicable large commercial firm service rate schedule.
- 2.1.3. Company has historically allowed the volume usage of meters at business facilities under common ownership and subject to this rate schedule to be aggregated for the sole purpose of establishing eligibility for transportation as referenced in Part 3.1.3. of Rate Schedule LCS-1. Customers historically qualifying for transportation under this aggregation provision shall remain subject to the rates and charges under this rate schedule in addition to any additional specific rates, charges, or adjustment riders peculiar to the Transportation Supply Option set out in Rate Schedule LCS-1, such as, but not limited to, administrative fees. Customers aggregating volume shall be subject to all provisions and policies governing TSO option customers as specified in LCS-1, except as provided for herein. The TSO eligible customers qualifying under such aggregation provision prior to September 21, 2002, will remain unchanged with respect to existing and new locations. Future aggregation for the purpose of qualification, except as otherwise referenced herein, is prohibited. Each individual account of historically qualified customers shall be treated as a separate account and shall be subject to the same rates and charges under the originating rate schedule, and are additionally subject to any specific rates, charges or riders specific to the TSO.

For the purpose of establishing eligibility for the Transportation Supply Option ("TSO") defined in the LSC rate schedule, customers experiencing or anticipating an average daily demand of 75 MMBtu per day during the preceding or succeeding twelve months will be eligible for the TSO. The TSO eligibility threshold will be lowered to an average daily demand of 50 MMBtu on April 30, 2003 and 25 MMBtu on April 30, 2004. Customers qualifying for transportation that do not demonstrate average daily demand of 100 MMBtu or greater shall be subject to rates and charges under the SCS rate schedule, and are additionally subject to any additional specific rates, charges or riders specific to the TSO.

- 2.1.4. Seasonal Transportation. Customer facilities experiencing more than 80% of annual load during the months April through October, and who experience or anticipate an average daily demand of more than 75 MMBtu per day during any consecutive 30-day period of the preceding or succeeding April through October, are eligible to transport on a seasonal basis. Customers meeting the aforementioned criteria, may elect the TSO option and choose a subsequent return to the SSO option only once during the calendar year.

Customers electing the TSO option on a seasonal basis, pursuant to notice given prior to May 31<sup>st</sup> or thirty days prior to commencement of service, whichever is earlier, may receive transportation service for a continuous period of at least 30 days between April 1 and October 31. Customers electing the TSO option on a seasonal basis are subject to the TSO contract administration fee. Additionally, each participating location shall pay a \$300 set-up fee upon initial election and upon any subsequent return to transportation service.

## 2.2. CAPACITY DEMAND

2.2.1. Capacity Demand shall be the billing determinant for Fixed Storage Charges, Fixed Gas Supply Charges, and Fixed Transportation Charges (GSR Demand) under the Gas Supply Rate Rider. The Company's determination of CD shall be based on the higher of:

- (a) The Company's estimate of customer's winter peak requirement.
- (b) The Company's estimate of customer's average daily requirement.

The CD may be adjusted based upon a material and documentable change in customer's winter peak requirement or customer's average annual daily requirement.

## 2.3. RATES

2.3.1. Each customer receiving service under this rate schedule shall be charged the sum of (a), (b), and (c) as follows:

- (a) Monthly Customer Charge - \$13.00. The monthly customer charge shall be pro-rated in the months that the customer initiates and terminates gas service.

- (b) Distribution Rate:

First 1,500 Ccf at \$0.12250  
1,500 – 15,000 Ccf at \$0.08552  
Over 15,000 Ccf at \$0.02000

- (c) Gas Supply Rate - The Gas Supply Rate will be calculated and adjusted periodically as defined in the Company's Gas Supply Rate Rider.

2.3.2. Rates for customers historically qualifying for service under the Part 2.1.3. aggregation provision and customers qualifying for transportation under this rate schedule will be subject to thermal adjustment. Delivered volumes will be adjusted by the appropriate thermal content factor.

## 2.4. MINIMUM CHARGE

2.4.1. Monthly Customer Charge -- \$13.00. The monthly customer charge shall be pro-rated in the months that the customer initiates and terminates gas service.

## 2.5. TELEMETERING

- 2.5.1. In the event customer has in place working telemetering facilities and equipment; and the customer receives system supply service; and Company determines it necessary to keep the telemeter(s) operational, Company will arrange and pay for the associated telecommunications cost while the customer receives sales service under this rate schedule. Customers electing seasonal transportation service pursuant to Part 2.2. shall be responsible for the full installed cost of telemetry equipment of standard make and manufacture to determine hourly and daily flow at customer's point of delivery.
- 2.5.2. Customer shall be responsible for installing and maintaining telecommunications lines. Should customer fail to maintain or repair telecommunications lines required to communicate with telemetry equipment, Company shall have the right to bill customer all labor and expense required to manually read the meter, at whatever intervals the Company may deem necessary.

2.6. RIDERS

- 2.6.1. In addition to the Gas Supply Rate Rider, the following riders are applicable to service under this rate schedule:

| Rider | Description                      | Identification on                |
|-------|----------------------------------|----------------------------------|
| WNA   | Weather Normalization Adjustment | Weather Normalization Adjustment |

- 2.6.2. Service will be rendered under this rate schedule until service is discontinued to customer, the customer qualifies for service under the large commercial firm service rate schedule, or the schedule is superseded.

2.7. RULES AND REGULATIONS GOVERNING UTILITY SERVICE

- 2.7.1. The Commission's Special Rules of Practice and Procedure and Substantive Rules and the Company's Standard Rules and Regulations, as the same may from time to time be changed in accordance with the law, shall be applicable to service under this rate schedule.

### 3. LARGE COMMERCIAL FIRM SERVICE (LCS-1)

#### 3.1. AVAILABILITY

3.1.1. This rate schedule is available at points of adequate capacity and suitable pressure on the Company's existing facilities. This rate schedule is available to any customer at a particular facility owned or operated by customer who enters into a large volume commercial service agreement ("Agreement") with Company, on terms and conditions acceptable to the Company, for delivery of gas at the facility, provided such facility has experienced, or anticipates, an average daily demand of more than 100 MMBtu per day during the preceding or succeeding twelve (12) months, respectively.

For the purpose of establishing eligibility for the Transportation Supply Option ("TSO") defined in this rate schedule, customers experiencing or anticipating an average daily demand of 75 MMBtu per day during the preceding or succeeding twelve months will be eligible for the TSO. The TSO eligibility threshold will be lowered to an average daily demand of 50 MMBtu on April 30, 2003 and 25 MMBtu on April 30, 2004. Customers experiencing average daily demand of less than 100 MMBtu, remain under their originating commercial rate schedules, and are additionally subject to any specific rates, charges or riders specific to the TSO.

3.1.2. Company has historically allowed the volume usage of meters at facilities under common ownership and subject to other commercial rate schedules to be aggregated for the sole purpose of establishing eligibility for transportation. The TSO eligible customers qualifying under such aggregation provision prior to September 21, 2002, will remain unchanged with respect to existing and new locations. Future aggregation for the purpose of qualification, except as otherwise referenced herein, is prohibited. Each individual account of historically qualified customers shall be treated as a separate account and shall be subject to the same rates and charges under the originating rate schedule, and are additionally subject to any specific rates, charges or riders specific to the TSO.

3.1.3. Customers under this rate schedule may choose between two sources of supply, as follows:

(A) System Supply Option ("SSO") - under which customer will be delivered natural gas supply designated as general system supply of Company.

(B) Transportation Supply Option ("TSO") - under which customer will be delivered natural gas supply received for customer's account at points of receipt on Company's distribution facilities.

3.1.4. The customer's election between the two supply options under this rate schedule shall be set forth in the requisite Agreement which will specify the term (duration) of this customer election. Under no circumstances shall the Company be obligated to (a) deliver natural gas volumes to a customer under this rate schedule from a supply source other than the one reflected in customer's election embodied in the Agreement or (b) enter into an agreement with a term of less than one year. LCS customers failing to execute the requisite agreement setting forth the supply option election, shall default to the System Supply Option, and shall remain until such time that an agreement setting forth the alternative supply option is executed.

3.1.5. If customer has human needs requirements, or other requirements necessary for the preservation of life, health or physical property, the Company will require customer to certify, document, and update in writing annually prior to October 1, any material change to the level of said requirements to Company.

3.1.6. Additionally, if customer has human needs requirements under the TSO, the Company will require customer to certify and document to Company that it:

(A) has made firm pipeline capacity and gas supply arrangements sufficient to ensure non-interruptible deliveries to satisfy its level of human needs requirements. This certification will consist of an affidavit from the appropriate executive officer. This documentation will include written acknowledgement from the upstream pipeline that firm, primary delivery point capacity is under contract for the appropriate location that will service customer, and that such capacity is under contract for the entire November through March time period; or,

(B) has one or more alternative energy back-up systems in place to provide for continuous energy to satisfy the total human needs requirements that otherwise would be met by natural gas. In such instance, there will be no requirement to meet this firm pipeline capacity and gas supply provision, provided that customer provides an affidavit from the appropriate executive officer.

3.1.7. Customers converting from sales service to transportation service shall bear the supply-related cost shifts or additional costs resulting from that conversion, including existing pipeline commitments, existing gas supply costs, and additional administrative costs. The Company shall maintain adequate records to demonstrate such costs and to substantiate that this result has been achieved, and shall make such information available to the converting customer upon request.

3.1.8. Seasonal Transportation. Customer facilities experiencing more than 80% of annual load during the months April through October, and who experience or anticipate an average daily demand of more than 75 MMBtu per day during any consecutive 30-day period of the preceding or succeeding April through October, are eligible to transport on a seasonal basis. Customers meeting the aforementioned criteria, may elect the TSO option and choose a subsequent return to the SSO option only once during the calendar year. Customers electing the TSO option on a seasonal basis, pursuant to notice given prior to May 31<sup>st</sup> or thirty days prior to commencement of service, whichever is earlier, may receive transportation service for a continuous period of at least 30 days between April 1 and October 31. Customers electing the TSO option on a seasonal basis are subject to the TSO contract administration fee. Additionally, each participating location shall pay a \$300 set-up fee upon initial election and upon any subsequent return to



transportation service.

### 3.2. MAXIMUM QUANTITIES

3.2.1. Company and customer shall agree upon a Maximum Daily Winter Quantity ("MDWQ") applicable to the period from November through March each year and a Maximum Daily Summer Quantity ("MDSQ") applicable to the period from April through October each year, both of which will be reflected in the Agreement, and shall establish the maximum MMBtu that the Company will be obligated to deliver on a firm basis on any given day to customer's point of delivery until such maximum quantity is revised pursuant to Part 3.2.4.

3.2.2. Company and customer shall agree upon an Annual Volume Limitation ("AVL"), which will be reflected in the Agreement, and shall establish the maximum MMBtu which the Company shall be obligated to deliver on a firm basis during the contract year, consisting of twelve consecutive billing periods specified in the Agreement.

3.2.3. Under no circumstances is Company required to agree to an MDWQ, MDSQ, AVL, or other quantity-related obligation under this rate schedule that it finds inconsistent with actual expected operating outcomes or load requirements based on observed historical operating data, the level and nature of currently installed natural gas facilities, equipment and appliances, or other relevant, reasonable and appropriate information or data.

3.2.4. Unless agreed otherwise, should customer deliveries exceed the MDWQ during the period from November through March, then delivery demand set on that day shall reestablish the MDWQ. Should customer deliveries exceed the MDSQ during the period April through October, then delivery demand set on that day shall reestablish the MDSQ. Should annual deliveries exceed previously established levels, for any prior 12-month period, then the AVL will be reestablished for the annual period. The new MDWQ, MDSQ or AVL, respectively, become effective on the first day of the month after which the excess occurred, and continue for the remaining term of the contract or until such time that a replacement MDWQ, MDSQ or AVL is established via the provision cited herein.

### 3.3. CAPACITY DEMAND

3.3.1. Each individually metered point of delivery under this rate schedule shall have a capacity demand ("CD"), equal to the higher of :

(A) The MDWQ specified in customer's Agreement with Company, subject to the maximum quantities provision herein, or as reestablished pursuant to the provisions of Part 3.2.4.

(B) The AVL specified in customer's Agreement with Company, subject to the maximum quantities provision herein divided by 365, or as reestablished pursuant to the provisions of Part 3.2.4.

3.3.2. This CD shall be the billing determinant for both distribution demand charges and Fixed Storage Charges, Fixed Gas Supply Charges and Fixed Transportation Charges (GSR Demand) under the Gas Supply Rate Rider. The CD initially established shall remain in place until such time as maximum quantities are revised pursuant to the provisions of Part 3.2.4. During the course of the contract term, the CD established as billing determinant shall be the higher of the CD initially established under the contract or any CD reestablished during the previous 12-month period. Unless agreed upon otherwise, if during the course of a multi-year contract, the revised CD established pursuant to Part 3.2.4., or any revised daily demand number higher than the initial CD established in the contract does not re-occur during any prior 12-month period, then effective the first day of the following month the initial CD established in the contract becomes the replacement CD. On the first of any month during a contract term, the CD shall be equal to the higher of the CD cited in the initial contract or any maximum quantity or delivery demand observed during the immediately preceding twelve month period.

### 3.4. RATES

3.4.1. Each customer receiving service under this rate schedule, other than small commercial firm sales service customers historically qualified under the Part 3.1.2. aggregation provision, shall be charged the sum of (a), (b), (c) and (d) as follows:

(a) Distribution Customer Charge - \$290.00 per month. The monthly customer charge shall be pro-rated in the months that the customer initiates and terminates gas service.

(b) Distribution Demand Charge per MMBtu of CD per month:

\$5.5790 per MMBtu of CD up to 400 MMBtu of CD

plus, if applicable

\$0.4000 per MMBtu of CD over 400 MMBtu of CD.

(c) Distribution Rate - All MMBtu consumed at \$0.0196 per MMBtu.

(d) Gas Supply Rate Rider :

(i) SSO - The Gas Supply Rate will be calculated and adjusted periodically as defined in the Company's Gas Supply Rate Rider.

(ii) TSO - The customer will be required to provide the appropriate LUFG-in-Kind as described in the Company's Gas Supply Rate Rider. Volumes provided as LUFG-in-Kind will not be considered in the calculation of Capacity Demand and shall not be subject to Distribution Charges.

3.4.2. Monthly charges applicable to customers under the TSO described in Part 3.1.3. of this rate schedule, including small commercial firm sales service customers historically qualifying under the Part 3.1.2. aggregation provision of this rate schedule or qualifying for transportation under the SCS rate schedule, are as follows:

(a) Contract Administration Fees:

TSO - \$350.00 per month.

3.5. MINIMUM CHARGE

The sum of (a), (b), and (c) if applicable:

(a) Distribution Customer Charge - \$290.00 per month. The monthly customer charge shall be pro-rated in the months that the customer initiates and terminates gas service.

Distribution Demand Charge - per MMBtu of CD per month:

\$5.5790 per MMBtu of CD up to 400 MMBtu of CD

plus, if applicable

(ii) \$0.4000 per MMBtu of CD over 400 MMBtu of CD

(c) Contract Administration Fee – TSO - \$350.00 per month.

3.6. TELEMETERING EQUIPMENT

3.6.1. Telemetry is required under the TSO described in Part 3.1.3. of this rate schedule, including customers qualifying under Part 3.1.2. of the aggregation provision of this rate schedule. If Company does not have telemetry at customer's point of delivery, upon execution of the Agreement, Company shall install telemetry equipment of standard make and manufacture to determine hourly and daily flow of gas at customer's point of delivery. Customer will reimburse Company for the full, installed cost of such telemetry.

3.6.2. Customer shall be responsible for installing and maintaining telecommunications lines. Should customer fail to maintain or repair telecommunications lines required to communicate with telemetry equipment, Company shall have the right to bill customer all labor and expense required to manually read the meter, at whatever intervals the Company may deem necessary.

3.7. RIDERS

3.7.1 The Gas Supply Rate Rider is applicable to service under this rate schedule.

3.7.2. Service will be rendered under this rate schedule until service is discontinued to customer, the customer qualifies for service under the small commercial firm sales service rate schedule, or the schedule is superseded.

3.8. RULES AND REGULATIONS GOVERNING UTILITY SERVICE

3.8.1. The Commission's Special Rules of Practice and Procedure and Substantive Rules and the Company's Standard Rules and Regulations, as the same may from time to time be changed in accordance with the law, shall be applicable to service under this rate schedule.

3.9. BILLING AND PAYMENT

3.9.1. Customer's bills will be based on the quantity of MMBtu's delivered to customer at the delivery point. Such bills shall be rendered promptly after the close of each billing period and shall be paid within fourteen (14) days after the date the bill is mailed. Company shall have the right to bill customer each month hereunder on the basis of nominated quantities or estimated quantities, provided that adjustments shall be made to such quantities in subsequent months' billings based on actual quantities delivered. The Company shall not discontinue service to customer for violation of its rates and policies nor for non-payment of bills, without first having diligently tried to induce the customer to comply with its rates and policies, or to pay amounts due the Company. Company may suspend service to customer after written notice shall have been given to the customer by the Company in the manner provided for in the Commission's Rules. Company may require as a condition of recommencement or continuation of service the maximum refundable deposit or bond allowed by the Commission to secure payment of bills. Interest at such rates as are required by the Commission shall be paid on any such deposit amount.

3.10. DEFINITIONS

3.10.1. The following terms when used herein shall be construed to have the following meaning, except where the context of their use clearly indicates another meaning:

3.10.2. The term "Large Volume Commercial Customer Agreement" (Agreement) shall mean a written and fully executed agreement between Company and customer which provides for service under the applicable supply option of this rate schedule.

3.10.3. The term "customer" shall mean the party so identified in the Agreement, or its designee.

3.10.4. The term "day" or "daily" shall mean a period of twenty-four (24) consecutive hours, beginning and ending as near as practicable to 9:00 a.m., Central Standard Time, at the point at which delivery of gas is made.

3.10.5. The term "month," "Service Month," or "monthly" shall mean the period beginning at or as near as practicable to 9:00 a.m., Central Standard Time, on the first day of the calendar month and ending as near as practicable to 9:00 a.m. on the first day of the next succeeding calendar month.

3.10.6. The term "year" or "service year" shall mean a period of three hundred sixty-five (365) consecutive days beginning on the date specified in the Agreement for the commencement of the term of service or any anniversary thereof; provided, however, that any year which contains a date of February 29, shall consist of three hundred sixty-six (366) consecutive days.

3.10.7. The term "cubic foot" shall mean the volume of gas which occupies one (1) cubic foot when said gas is at a temperature of sixty degrees (60 degrees) Fahrenheit, and at a pressure of 14.73 pounds per square inch absolute.

3.10.8. The term "Mcf" shall mean one thousand (1,000) cubic feet of gas.

3.10.9. The term "Btu" shall mean British Thermal Unit.

3.10.10. The term "MMBtu" shall mean one million (1,000,000) Btu's.

3.10.11. The term "gas supply" as it relates to purchased gas costs shall mean the charge for the product known as natural gas, and does not include any charges associated with delivery of the product by Company or any supplier pipeline of the Company.

3.10.12. The term "balancing" shall mean the service provided by Company when quantities of gas received by Company at the Point(s) of Receipt differ at any time from the quantities of gas delivered by Company at the Point(s) of Delivery under the Agreement.

3.10.13. The term "Maximum Daily Quantity" or "MDQ" shall mean the total maximum MMBtu which Company shall be obligated to receive or deliver on a firm basis on any given day on behalf of customer. The contractual Maximum Daily Winter Quantity ("MDWQ") shall be controlling during the period from November through March each year and the Maximum Daily Summer Quantity ("MDSQ") shall be controlling during the period from April through October each year.

3.10.14. The term "Point(s) of Receipt" shall mean the point or points specified in the Agreement where Company agrees to receive gas for transportation for the account of customer.

3.10.15. The term "Point(s) of Delivery" shall mean the point or points specified in the Agreement where Company agrees to deliver gas transported for the account of customer.

3.10.16. The term "imbalance" shall mean the difference in the MMBtu's of natural gas which customer takes at the Point(s) of Delivery and the MMBtu's which customer provides for transportation at the Point(s) of Receipt.

3.10.17. The term "annual volume limitation" or "AVL" means the maximum MMBtu which the Company shall be obligated to deliver on a firm basis during the contract year consisting of twelve consecutive billing periods specified in Agreement.

3.10.18. The term "Maximum Hourly Quantity" or "MHQ" shall mean the maximum MMBtu Company is obligated to deliver or receive for customer's account in any single hour. Company shall not be obligated to agree to a maximum hourly quantity greater than 1/15 of MDQ, MDWQ or MDSQ.

### 3.11. GOVERNMENTAL REGULATIONS

3.11.1. Service hereunder shall be subject to all relevant present and future local, state and federal laws and all rules, regulations and orders of regulatory authorities having jurisdiction over any of the parties, as applicable, and the obligations of all parties hereunder are subject to obtaining whatever regulatory approvals and authorizations are necessary for the lawful implementation of the Agreement, on continuing conditions satisfactory to the party affected. Customer shall cooperate with the Company by providing promptly all information and in making whatever reports or filings are necessary in regard to service rendered under this rate schedule. Neither party shall be held in default for failure to perform hereunder if such failure is due to good faith compliance with the requirements of any such laws, orders, rules and regulations. Should any governmental body having jurisdiction impose on the Company or the services provided hereunder or otherwise require service hereunder on terms and conditions that are unacceptable to Company, in its sole discretion, then Company may terminate service hereunder at any time thereafter upon notice to customer. Customer shall also reimburse Company, or cause Company to be reimbursed, for any fees, taxes (other than income and property taxes) or other charges levied or paid by Company to any governmental authorities in connection with or attributable to the services provided hereunder.

### 3.12. MEASUREMENT

3.12.1. Except as may be otherwise provided elsewhere herein or required by law, the measurement and testing of gas received and delivered hereunder shall be done by Company, or its designee, as measuring party in accordance with the following:

3.12.2. The gas received by Company hereunder shall be measured as follows:

3.12.2.A. The unit of volume shall be 1,000 cubic feet of gas (Mcf) at a temperature base of 60 degrees Fahrenheit and at a pressure base of 14.73 pounds per square inch absolute. Whenever the actual conditions of pressure and temperature of the particular gas stream being measured differ from the above standard, conversion of the volume from such actual conditions to the above standard conditions shall be made in accordance with the Ideal Gas Laws corrected for super-compressibility in accordance with the method customarily used by the measuring party.

3.12.2.B. Measurements of gas shall always be in accordance with requirements of law, and if the procedures, bases, or standards herein contemplated to be used in the determination of gas volumes are changed by law or regulatory action, the applicable rates shall be appropriately modified and adjusted to the extent necessary to the end that calculations to determine sums of money due hereunder after the change will reach the same end result in dollars and cents as would have been reached in the absence of such change.

3.12.2.C. The temperature of the gas at each point of receipt shall be (i) determined by a recording thermometer, (ii) determined by taking the average of the daily readings of an indicating thermometer, or (iii) assumed by mutual agreement to be 60 degrees Fahrenheit, provided that, if a recording thermometer is not being used, customer shall have the right, by reimbursing the cost

of the equipment and its installation, to require the use of a recording thermometer. The Btu content of the gas per cubic foot shall be determined on a dry basis in accordance with good engineering practice in a manner reasonably calculated to result in a fair and accurate determination.

3.12.2.D. The specific gravity of the gas shall be determined in accordance with good engineering practice as often as found necessary in operation.

3.12.2.E. Standard type measuring and testing equipment necessary to measure and determine quantities hereunder shall be installed, operated and maintained in a workmanlike manner. Readings, calibrations, tests, repairs and adjustments of said equipment, and changing of charts, shall be done only by employees or agents of measuring party and in accordance with good engineering practice as often as found necessary in operation. Orifice meters, if used, shall be installed and operated, and volumes computed, in accordance with the latest version of the American Gas Association Gas Measurement Committee Report and Appendices thereto, and such amendments thereof as measuring party may place in use on its system for transactions of this type. Customer shall have access to the measuring and testing equipment at reasonable times, and shall have the right to have a representative present at tests, calibrations and adjustments thereof. Upon request by customer for a special test of any meter or auxiliary equipment, the accuracy of same shall be verified promptly, provided that the cost of such special test shall be borne by customer unless the percentage of inaccuracy is found to be more than two percent (2%), then previous readings shall be corrected to zero error for the period of time during which the equipment was known to be inaccurate, or if not known then to the shorter of six (6) months or the last date that the meter was tested; if said total inaccuracy is not more than two percent (2%), then previous reading shall be considered correct but the equipment shall be adjusted to read correctly. Measuring party shall not be required to verify the accuracy of such equipment more than once in any 90-day period, unless customer has a specific and verifiable reason to believe that the equipment is inaccurate by more than 2%.

3.12.2.F. If any meter or auxiliary equipment is out of service or out for repair for a period of time so that the quantity of gas delivered cannot be ascertained or computed from the reading thereof, then the quantity delivered during such period shall be estimated upon the basis of the best data available, using the first of the following methods which is feasible: (i) by correcting the error if the percentage of error is ascertainable by calibration, test, or mathematical calculations; (ii) by using the registration of any check equipment installed and accurately registering, or (iii) by estimating the volume on the basis of deliveries during preceding periods under similar conditions when the equipment was registering accurately.

3.12.2.G. Upon request, measurement charts and records shall be submitted to customer for examination, the same to be returned within twenty (20) days. The measurement charts and records for a given accounting month shall be conclusively presumed correct if no written objection thereto is served on Company within the 12-month period following the given accounting month. All test data, meter charts and similar records shall be preserved for a period of at least one (1) year.

3.12.2.H. The formal measurement and testing of gas hereunder shall only be by the equipment operated by measuring party, but customer may install, operate and maintain, at customer's own cost, risk and expense and in the same manner as is required for the primary equipment hereunder, check measuring and testing equipment of standard type, provided that the same does not interfere with the operation of the primary equipment. Company shall have the same rights with respect to check equipment as customer has with respect to the primary equipment.

3.12.2.I. If Company causes any or all of the foregoing measurements and testing procedures to be done by a third-party designee, then in such event:

3.12.2.I(1) Customer's rights hereunder with respect to the third-party's equipment and procedures will be subject to reasonable arrangements by Company with such third party; and

3.12.2.I(2) If the third party's usual and customary procedures differ in particular respects from the detailed procedures set out above, then the third-party's procedures, and measured quantities resulting therefrom shall be acceptable and used hereunder so long as they are consistent with good engineering practice in the industry.

3.12.2.J. The gas delivered by Company to customer after transportation shall be measured in the same manner as are volumes sold by Company to customers of similar size as customer under Company's sales rate schedules.

### 3.13. FORCE MAJEURE

3.13.1. Neither customer nor Company shall be liable to the other for failure to perform their respective obligations under the Agreement (other than to make any and all payments thereunder) due to acts or conditions beyond the reasonable control of the parties affected. The obligations of the affected party to perform shall be suspended so long as and to the extent that performance is prevented by the occurrence of such acts or conditions. Such acts or conditions shall be deemed to include, but not be limited to, fire, labor disputes, acts of God, the elements, wars, epidemics, riots, civil disturbances, explosions, breakdown of equipment, test and repairs of pipeline facilities, freezing of wells or pipelines, requirements of local, state or federal authorities, failure of any intermediate transporters relied upon by Company to transport the gas for any reason, failure of appropriate regulatory approvals or lack of sufficient capacity, the inability of Company to obtain or maintain such regulatory authorizations as may be necessary for the lawful performance of the service contemplated hereby on continuing conditions satisfactory to Company, the curtailment of service by Company in accordance with Company's curtailment plan as effective from time to time, failure of gas supply and any other cause,

similar or dissimilar, not within the reasonable control of the party claiming relief. The party affected shall notify the other promptly and shall remedy the cause of suspension with reasonable diligence, retaining to such party unqualified discretion in settling labor disputes.

### 3.14. OPERATING INFORMATION AND FORECASTS

3.14.1. Customer, upon request, shall furnish or cause to be furnished to Company from time to time such reasonable data as in Company's judgment is necessary for the proper analysis of the daily and annual gas load requirements of customer for this service. Customer at all times shall keep Company informed of anticipated significant changes in the size and character of such load requirements.

### 3.15. USE

3.15.1. All gas delivered to customer under the Agreement shall be for customer's own use and shall not be resold.

### 3.16. NON-SYSTEM SUPPLY: TERMS AND CONDITIONS

3.16.1. Customer transactions operating under the SSO described in Part 3.1.3. of this rate schedule shall be governed by Company's other generally applicable rates and policies. The operating terms and conditions of service provided hereinafter, in addition to the Company's other generally applicable rates and policies not consistent therewith, shall apply to customer transactions under the TSO of this rate schedule.

### 3.17. NOTICES

3.17.1. Notices, requests, demands, statements, or bills provided for under this rate schedule and the Agreement (other than those related to nomination, scheduling and other operational issues having immediate operational consequence and requiring shorter notice that either Company or customer may desire to give the other, as provided for under Part 3.32.1.) shall be in writing and if delivered shall be considered as duly delivered when mailed by registered or certified mail to the post office address of Company or customer as indicated in the Agreement, or at such other address as either shall designate by formal written notice to the other. Routine, non-operational communications, including monthly statements and payments if received, shall be considered as duly delivered when mailed by either registered, certified or ordinary mail.

### 3.18. RECEIPT OF GAS FOR TRANSPORT

3.18.1. The customer must tender the gas for transportation hereunder at a mutually agreeable point or points as specified in the Agreement at whatever pressure is necessary to effect deliveries of the gas against the fluctuating working pressures maintained in Company's system at that point from time to time. Company will not be obligated to accept any gas into such system for transportation that does not meet the quality specifications required to be met by Company's suppliers when delivering gas to Company for sales to Company's customers.

3.18.2. Company will be responsible for installing and operating the necessary tap and measurement facilities at each point of receipt to receive and measure the gas delivered for transportation hereunder. If Company agrees to provide new or additional facilities to perform the services requested by customer, upon Company's request, customer shall reimburse Company, or cause Company to be reimbursed, for all costs of construction, installation and/or acquisition of such facilities.

### 3.19. DELIVERY OF GAS BY COMPANY AFTER TRANSPORTATION

3.19.1. Except as may be otherwise specified elsewhere herein, the gas shall be tendered for delivery after transportation at the working pressures maintained from time to time by the delivering party at the designated point of delivery as specified in the Agreement from time to time. It is recognized that the gas delivered to customer after transportation will not be the same gas that Company received for transportation, but that the gas delivered after transportation will meet the quality specifications applicable to gas that Company sells on its system from its general system supply. Company will use its best efforts consistent with the prudent operation of its system to deliver gas meeting such specifications but shall not be liable in damages for failure to do so. If the gas tendered by Company fails at any time to conform to any of said specifications, then customer shall notify Company of such deficiency and thereupon may, at customer's option, refuse to accept delivery pending correction by Company.

3.19.2. The point where responsibility for the gas shall pass to customer after transportation shall be at the outlet of the delivery facilities at the designated point of delivery. Customer shall provide reasonable access to the premises at the point of delivery for any purpose connected with this service.

3.19.3. Company shall install, operate and maintain whatever facilities are necessary to deliver the gas at the point or points of delivery hereunder and shall indemnify customer and hold it harmless from and against any and all claims, actions, suits, damages, liabilities, penalties, costs and expenses arising out of use, possession or presence of the gas before it passes the point of delivery. If Company agrees to provide new or additional facilities to perform services requested by customer, upon Company's request, customer shall reimburse Company, or cause Company to be reimbursed, for all costs of construction, installation and/or acquisition of such facilities.

3.19.4. Customer shall install, operate and maintain at its own expense whatever facilities are necessary to safely receive and utilize the gas at and beyond the point of delivery hereunder, and shall indemnify Company and hold it harmless from and against any and all claims, actions, suits, damages, liabilities, penalties, costs and expenses arising out of the use, possession, or presence of the gas at and after it passes the point of delivery.

3.19.5. If the services of one or more other transporters are necessary for Company to provide the service herein contemplated, Company's obligations hereunder shall be subject to the availability of such services by others on continuing terms and conditions acceptable to Company, and in such event, customer agrees that Company may act as agent for customer in arranging for such services, including execution of the necessary agreements therefore and administering same, and arranging and confirming capacity release transactions necessary to facilitate the transaction, provided that, unless otherwise provided elsewhere, any costs and/or charges or penalties associated with such services by a third party to the point of delivery hereunder shall be borne by customer.

### 3.20. SCHEDULING AND NOMINATIONS

3.20.1. Nominations for gas flow shall be submitted by customer to Company no later than 10:00 a.m. Central Standard Time the day prior to gas flow; provided however, if a change in the nomination level is desired on a weekend or Company holiday, then nominations shall be submitted by customer to Company no later than 10:00 a.m. Central Standard Time the last business day immediately prior to such weekend or holiday. Nominations shall be submitted via the Company's internet based nomination system.

Company and customer may agree on other means of submitting nominations from time to time. Nomination quantities shall be expressed in MMBtu. Company shall not be required to confirm a nomination that is: (A) inconsistent with the recently observed deliveries or projected deliveries for the Service Month; or (B) higher than the MDWQ or MDSQ in the applicable season; or (C) not confirmed by the upstream pipeline. For these purposes, the projected deliveries for the Service Month shall be equal to the arithmetic average of the number of observed deliveries within the Service Month to date multiplied by the number of days in the Service Month. Once a nomination is made and confirmed by the Company, that nomination will remain in effect through the end of the month or until changed by the customer. Company shall confirm nominated volume to Pipeline.

3.20.2. Company will require customer to comply with the scheduling and nominating procedures as set forth in customer's upstream pipeline supplier's transportation tariffs as on file with and approved by the Federal Energy Regulatory Commission. Customer shall be liable for and shall compensate Company for any costs imposed upon Company as a result of customer's scheduling and nomination deviations or non-compliance.

### 3.21. BALANCING

3.21.1. General Intent: These balancing provisions are in recognition of the fact that Company's upstream transportation, storage and no-notice service capacity is reserved for the exclusive use by Company for transactions related to its system supply.

3.21.1.A. SSO transactions are allocated costs associated with the Company's upstream transportation, storage and no-notice service capacity. Therefore, SSO transactions have defined relative rights to those upstream services.

3.21.1.B. TSO transactions are not allocated any costs associated with the Company's upstream transportation, storage and no-notice services or associated capacity. Therefore, TSO transactions carry no explicit or implicit right to make use of the Company's upstream services or associated capacity.

3.21.1.C. Encroachment upon Company's upstream transportation, storage, or no-notice services or associated capacity on interstate pipelines, for natural gas volumes other than those for which Company takes title, are subject to the capacity release regulations established by the FERC and embodied in Part 284 of the Code of Federal Regulations. It is expressly understood that the level of balancing tolerances offered under this tariff is conditioned upon the Company not being required to achieve said tolerances through operation of Part 284 capacity release arrangements nor other certificate authority from the Federal Energy Regulatory Commission.

3.21.2. Customers shall be obligated to: (i) conform their takes each day at delivery points with their deliveries to Company at receipt points on the same day and thereby avoid imbalances; and (ii) to correct any such imbalances as soon as practical.

3.21.3. Company shall not be obligated to receive or deliver more than the maximum hourly quantity. If customer takes gas in excess of the specified MHQ at the point of delivery without the approval of Company, and such excess flow causes harm to the Company, its other customers or its facilities, then customer shall reimburse Company for the actual cost of damages or harm or repairs to its facilities, plus overhead expenses, within 15 days after the date of Company's invoice to customer for such damages.

3.21.4. Company shall make available electronically daily imbalance information which shall notify customer of any imbalance under an Agreement in the current Service Month, based on the best information then available to Company, including, but not limited to data such as nominations, allocations, electronic measurement data, and meter observations. The provision of such information shall not relieve customer of its obligations under this tariff to avoid, correct or eliminate actual imbalances.

3.21.5. Company shall monitor the accumulation of daily imbalances by customer and shall have the right to take corrective action pursuant to this tariff, as required, to eliminate customer encroachment upon upstream transportation, storage, or no-notice service capacity held by Company for general system supply.

3.21.5.A. If customers' receipts and deliveries are not in balance during a day, or are projected to be out of balance on a future day, and if Company determines in its reasonable judgment that such imbalances inhibit Company's ability to maintain the operational integrity of the distribution system, or the economic integrity of the Company's system supply acquisition processes, then the Company shall declare a Critical Period Event. The Critical Period Event can be either: (i) an Excess Flow Event (receipts exceed deliveries); or, (ii) a Deficient Flow Event (deliveries exceed receipts). Additionally, the Company's declaration of a Critical Period Event can be location-specific, and the Company is not required to apply the Critical Period Event where corrective action would not

be curative of the critical situation. A Critical Period Event may be called for operational purposes relating to a physical event causing or threatening a system failure and/or existence of an Operational Flow Order (OFO) on the upstream pipeline. Company may also declare a Critical Period Event in order to protect the economic integrity of the Company's system supply acquisition processes. A Critical Period Event declared for economic purposes shall be applicable only to customers with an annual average customer delivery of 100 MMBtu or less. Critical Period Events declared for economic purposes may be declared only on days when other Gas Daily price differs by more than \$.50 per MMBtu from the Inside FERC REGT First of the Month Index. The Company shall notify affected customers verbally of the critical situation and customers shall have a minimum of four (4) hours to bring receipts and deliveries into balance, or other longer time periods as deemed applicable by the Company. If, after the specified notice period indicated in Company's notice to customer of critical situation, customer has not balanced receipts and deliveries, Company shall have the right to balance deliveries and receipts. Company shall not be obligated to redeliver a greater volume of gas to the point of delivery than it received at the point of receipt for customer's account, as indicated by the upstream delivering pipeline, until such time as Company determines that the critical situation no longer exists. An imbalance that occurs during such critical situation, after the expiration of the notice period, may not be carried forward for clearing during the month, but instead may, at the Company's option, be cashed out based on the "Critical Period Price."

(i) The Critical Period Price shall be the applicable regional posting for the upstream pipeline expressed in (\$/MMBtu) for the day of delivery as found in the publication Gas Daily under the heading "Daily Price Survey" and under the subheading "Midpoint."

(ii) If, on any day during a critical situation, after the expiration of the notice period, customer delivers to Company volumes of gas that are greater than customer's gas requirements at the point of delivery then Company can purchase such over-delivered volumes at the point of delivery from customer at the following rates per MMBtu. The first 6% of over-delivered volumes will be cashed out at the Critical Period Price. Amounts greater than 6% will be cashed out at a rate equal to 50% of the Critical Period Price. If, on any day during a critical situation, after the expiration of the notice period, customer delivers to Company volumes of gas that are less than customer's gas requirements at the point of delivery, then Company may require customer to purchase such deficiency at the point of delivery from Company at the following rates per MMBtu. The first 6% of under-delivered volumes will be cashed out at the Critical Period Price. Amounts greater than 6% will be cashed out at a rate equal to 150% of the Critical Period Price for the day in which the deficiency occurred.

Any Critical Period imbalance incurred of 10 MMBtu or less shall not be subject to Critical Period cash-out pricing. Such imbalances will be deferred until the end of the month, and will be cashed out in accordance with the terms of Part 3.21.8.

Company shall make a reasonable effort to provide 24 hours' notice of the issuance of a CPE. Upon issuance of notice of a CPE, Company will allow shipper to submit revised nominations to the extent permitted by the upstream pipeline declaring an OFO, in an attempt to minimize imbalance activity on the Company's system. During any CPE, Company shall remain obligated to deliver all natural gas supplies that it receives on behalf of each individual shipper.

3.21.5.B. For any multi-day period measured from the beginning of the first day of the Month where a cumulative imbalance is equal to or greater than 6% of the projected deliveries for the Service Month, Company may at its option, eliminate, through an intra-month cash-out action, all or part of said cumulative imbalance. For these purposes, the projected deliveries for the Service Month shall be equal to the arithmetic average of the number of observed deliveries within the Service Month to date multiplied by the number days in the Service Month. The "cash-out" price applicable to such intra-month cash-out transactions for cash out quantities that are 3% or less of deliveries shall be equal to 75% of the Critical Period Price for cash-out purchases by Company from customer and 125% of Critical Period Price for cash-out purchases required of customer from Company. The "cash-out" price applicable to such intra-month cash-out transactions for cash out quantities that are in excess of 3% of deliveries shall be equal to 50% of the Critical Period Price for cash-out purchases by Company from customer and 150% of Critical Period Price for cash-out purchases required of customer from Company. As a prerequisite to any such intra-month cash-out action, Company shall warn customer during the business day prior to the day on which the Company projects customer will be in violation of the 6% threshold, based on the information available to Company at the time said warning is issued. Once such warning is issued to customer in any Service Month, no additional warnings from Company will be required during that same Service Month, prior to an intra-month cash-out action by Company on customer's then cumulative imbalance.

3.21.6. Company shall not be obligated under any circumstances: (i) to deliver more gas to customer during any given day or month than it shall have received for the account of customer during said period ; or (ii) to receive or deliver during any given Day a total quantity of gas in excess of the MDWQ or MDSQ as applicable.

3.21.7. Customer will be responsible for its allocable share of any incremental costs associated with Company's upstream transportation, storage, or no-notice services attributable to nomination and scheduling activities of customer, including but not limited to incremental overrun charges, commodity charges, daily demand charges, and penalties. The responsibility provided for herein shall not relieve customer of its obligations under this rate schedule or the tariffs of Company's upstream service providers to avoid, correct or eliminate nomination or scheduling errors.

3.21.8. At the end of each Service Month, remaining customer Imbalances to the extent the receipts do not equal deliveries under customer's Agreement shall be cashed out. To the extent customer owes natural gas volumes to Company (deliveries exceeded

receipts) customer will purchase said volumes at the applicable cash-out price described below. To the extent Company owes natural gas volumes to customer (receipts exceeded deliveries), Company will purchase said volumes at the applicable cash-out price described below.

| Imbalance Level  | Overage<br>The Company Pays<br>Customer | Underage<br>Customer Pays the<br>Company |
|------------------|---|--|
| From 0% to 5%    | 100%                                    | 100%                                     |
| From 5% to 10%   | 80%                                     | 120%                                     |
| From 10% to 15%  | 70%                                     | 130%                                     |
| From 15% to 20%  | 60%                                     | 140%                                     |
| Greater than 20% | 50%                                     | 150%                                     |

Overages in all tiers will be priced, using the applicable percentage, at the lesser of: Index (Inside FERC REGT East) or the Company's Cost of Gas Sold component. Underages in other tiers will be priced, using the applicable percentage, at the greater of: Index (Inside FERC REGT East) or the Company's Cost of Gas Sold charges under the Gas Supply Rate Rider.

3.21.9. The imbalances incurred due to customers reliance on imbalance data that differ materially from subsequently corrected data will be assumed to fall into the 0% to 5% range for the determination of the applicable cash-out price.

### 3.22. PREDETERMINED ALLOCATION

3.22.1. Should customer elect service under this rate schedule under more than one of the two supply options, such that gas delivered by Company at any single delivery point will involve supply under more than one of the two options, Company and customer shall enter into a predetermined allocation agreement ("PDA"). This PDA will establish the allocation of deliveries, which can be relied upon by either party in the conduct and performance under the Agreement. The method of allocation can be: (i) ranked (order through the meter); (ii) pro rata; (iii) fixed percentage; (iv) swing; or (v) any other method to which both Company and customer agree. Each PDA shall be effective for at least one Service Month and shall remain in effect until superseded by a new PDA.

### 3.23. POOLING SERVICE

3.23.1 The Company shall make Pooling Service available to any party (hereinafter referred to as Pool Manager) that requests Pooling Service from Company when:

- (i) Company has received, reviewed and accepted a credit application from Pool Manager, and Pool Manager has been deemed creditworthy.
- (ii) Company and Pool Manager have executed a Pooling Service Agreement in the form acceptable to Company.
- (iii) Pool Manager has submitted formal documentation of agency for customers subject to aggregation under this service.
- (iv) Pool Manager complies with all applicable provisions of this rate schedule.

Pooling service shall be subject to interruption, in whole or in part, at any time, and shall be available subject to capacity constraints and operational and economic conditions.

3.23.2. Pooling shall consist of the aggregation of the Receipt Point(s) available to customers subject to the Pooling Service Agreement and deliveries made at Delivery Point(s) delivered subject to the Pooling Service Agreement. The Pool Manager, having documented agency authority, shall submit nominations and allocation information for all customers subject to the Pooling Service Agreement, to Company, in accordance with Part 3.20.

Company shall not have any liability to a Pool Manager or customer as a result of Company's reliance on the performance of Pool Manager.

3.23.3. Imbalances in a Pool will be calculated by determining the difference between total aggregated receipts into the Pool and the total deliveries allocated out of the Pool to end users. Imbalance tolerances outlined in Part 3.21.5.A., 3.21.5.B. and 3.21.8. shall apply to the aggregated imbalance total, unless and until Pooling rights are interrupted for a specified period.

3.23.4. Imbalances incurred subject to Parts 3.21.5.A., 3.21.5.B. and 3.21.8. will be billed as specified in the Pooling Service Agreement. In the event that the Pool Manager fails to pay invoices, customer will remain liable for payment of all charges, as



acknowledged in the Pooling Service Agreement.

Should Pool Manager fail to pay invoices calculated at the aggregated level, upon default to the individual customer invoice, the invoice shall be recalculated at the individual customer level, without benefit of the aggregated tolerance.

### 3.24. WARRANTY OF TITLE

3.24.1. Customer shall have title to and shall warrant its title to all gas delivered to Company under the TSO of this rate schedule, and such gas shall be delivered to Company free and clear of all liens, claims and encumbrances. Customer shall indemnify Company against all suits, actions, debts, accounts and damages arising out of any adverse claims to, against or in respect of such gas. Customer shall also indemnify Company and hold it harmless from and against any and all claims, actions, suits, costs, liabilities and expenses caused by or arising out of possession or presence of such gas before it is delivered into Company's facilities. Customers entering into Agreements as specified in Part 3.1.1. shall have the right to deliver volume for redelivery, available exclusively for customers' own use. Such delivery rights shall not be resold to or shared with third parties.

### 3.25. ASSIGNMENT

3.25.1. Customer shall not assign the Agreement in whole or in part, nor shall customer agree to provide services to others by use of any capacity contracted for under the Agreement, without Company's prior written consent. In addition to all other rights and remedies, Company may terminate the Agreement immediately if it is assigned by customer or if customer subcontracts its transportation capacity to others without such prior consent, whether the assignment be voluntary or by operation of law or otherwise. Subject to the above, the respective rights and obligations of the parties under the Agreement shall extend to and be binding upon their heirs, successors, assigns and legal representatives.

### 3.26. TRANSPORTATION REGULATIONS

3.26.1. With regard to all aspects of the transportation service, it is recognized that Company operates a local distribution system, and, accordingly, all provisions hereof having to do with transportation of gas and the charge therefor, including Company's obligation to transport gas at all, are subject and subordinate to the provisions of any certificates and rate schedules issued by or filed with the Commission or successor authority, as well as any and all local, state and federal laws, orders, rules and regulations, to the extent applicable to the transportation of gas by Company, as contemplated hereby. To the extent that any local, state or federal authorization and/or approval is required to provide such transportation service, Company will proceed with due diligence to seek to obtain same as and when necessary in such manner as Company considers to be appropriate, provided that due diligence will not obligate Company to accept conditions or rates otherwise unacceptable to Company.

### 3.27. UNACCEPTABLE QUANTITIES

3.27.1. Company shall have the right to refuse at any time, and from time to time, to receive at any receipt point or to deliver at any delivery point a quantity of gas that Company determines, in its reasonable judgment, to be unduly burdensome from an operating or administrative standpoint.

### 3.28. LIMITATION OF LIABILITY

3.28.1. In no event shall Company be liable (in contract or in tort, including actions based on claims of negligence) to customer or any other claimant for special, indirect, incidental, or consequential damages, including, but not limited to, lost profits and any part of the expense incurred in securing alternative services which exceeds the amount customer would have paid hereunder, resulting from Company's performance, nonperformance or delay in performing its obligations hereunder.

### 3.29. FACILITIES POLICY

3.29.1. Unless otherwise provided by Company's rates and policies or the applicable Agreement, when gas is connected to a new facility, customer will reimburse Company the cost of all facilities necessary to effect receipts or deliveries within thirty (30) days after receipt of Company's statement following completion of installation. This payment shall be non-refundable and accounted for by Company as a "Contribution in Aid of Construction." The term "facilities" includes the pipeline, the connecting meter run, separator, regulator and all related facilities necessary to receive or deliver the gas in accordance with the provisions hereof. The term "cost" includes the cost of pipe, materials, equipment and other facilities, cost of right of way, and cost of installation and other related costs. Customer's payment to Company under this paragraph shall not operate to give customer any right, title or interest, in or to Company's facilities installed for the service and Company's said facilities shall be and remain the sole property of Company.

### 3.30. SALES SERVICE

3.31.0. Company shall only be obligated to provide sales service to customer if and to the extent it is purchased and contracted for by customer pursuant to one of Company's filed rate schedules. In those circumstances in which customer elects to purchase sales service offered by Company during periods of full or partial interruption of transportation service by customer's upstream pipeline transporter, customer shall pay Company the total applicable cost of providing such emergency sales service.

### 3.31. OPERATIONAL NOTICES AND COMMUNICATIONS

3.31.1. Company shall make available scheduling personnel on a twenty-four (24) hour basis. Customer shall provide, and update as necessary, the name, address, and telephone number of an operational contact person or persons who will be available on a twenty-

four (24) hour basis to receive or provide communications involving receipts, deliveries, curtailment and for any other purposes relating to customer's service under this rate schedule. Company shall be entitled to rely on such contact person's actions and communications for all purposes and shall have no liability for doing so, and if customer fails to designate such person or such person is unavailable to Company at any time, customer may be liable and shall indemnify and hold Company harmless from and against losses, damages and other expenses which Company or any other person may suffer or for which Company may be liable which are attributable to such failure or unavailability.

## 2. WEATHER NORMALIZATION ADJUSTMENT (WNA)

2.1. For bills rendered from November 1 through April 30 each year, the applicable margin rates for gas service to customers served under the applicable rate schedules shall be adjusted by a Weather Normalization Adjustment (WNA) to reflect much of the impact of heating degree day variations from normal levels which were used to set rates under the applicable rate schedules.

2.2. In order to calculate the total weather adjustment for the applicable billing cycle, a weather deviation is computed and multiplied by the applicable margin rate. A per Ccf WNA adjustment is calculated by dividing the total weather adjustment by the average Ccf usage per customer for all customers in each billing cycle, using the formula described below. The per Ccf adjustment for each applicable rate schedule is applied to customer's usage for the billing cycle. The WNA shall be separately identified on customer bills.

### 2.3. CALCULATION OF WEATHER NORMALIZATION ADJUSTMENT

2.3.1. The WNA is calculated as follows:

$$WNA_i = \frac{R_i(DDF_i(NDD - ADD))}{AAU_i}$$

Where: i = Any particular rate classification to which the WNA is to be applied.

WNA = Weather Normalization Dollar Adjustment per Ccf

R = Applicable margin rate:

Residential Service (RS-1) \$0.18470 per Ccf

Small Commercial Sales (SCS-1) \$0.08552 per Ccf

DDF = Degree Day Factor associated with the applicable rate schedule:

Residential Service (RS-1) .1611

Small Commercial Sales (SCS-1) .6357

NDD = Normal Degree Days during the billing cycle

ADD = Actual Degree Days during the billing cycle

AAU = Average Actual Usage per customer for each billing cycle

### 2.4. DEFINITIONS

2.4.1. Normal Degree-days: The heating degree-days, which are based on a 30-year average ending December 31, 2001 as are shown on Attachment 1.

2.4.2. Actual Degree Days: The actual heating degree days as published by Weather Services Corporation, or any other nationally recognized third-party weather service.

### 2.5. APPLICABLE RATE SCHEDULES

Residential Firm Sales Service (RS-1)

Small Commercial Firm Sales Service (SCS-1)

SECTION 6  
**MISCELLANEOUS**

**STEVE PITNER, GAS SERVICES DIVISION DIRECTOR**

**1. OFFICE OF THE DIRECTOR**

**A. Publications**

1. Texas Utilities Code Titles 3 and 4. Special Rules of Practice and Procedure and Substantive Rules - \$15.00
2. a. Annual Report for Fiscal Year 2001 – Now available via the Commission’s website at:  
<http://www.rrc.state.tx.us/divisions/gs/tablecontents01.html>
  - a. Annual Report for Fiscal Year 2000 - \$17.00 (includes statistical data for 1999)
  - b. Annual Report for Fiscal Year 1999 - \$9.00 (includes statistical data for 1998)
  - c. Annual Report for Fiscal Year 1998 - \$7.00 (includes statistical data for 1997)
3. **2002 Pipeline Safety Rules - \$13.00, includes: 49 CFR 191 & 192 and 16 TAC Sections 7.70-7.74 (gas) 49 CFR 193 (LNG); 49 CFR 195 and 16 TAC Sections 7.80-7.87 (hazardous liquids); 49 CFR 40 and 199 (drug testing).**
4. Distribution and/or Gas Transmission Review forms for Adequacy of Operation, Maintenance and Emergency Manual - To obtain a copy of review forms at no charge, send a request with a self addressed envelope (10" x 13" preferably) with \$0.98 postage.
5. Six MCF Monthly Residential Gas Bill Analysis for Twenty-five Texas Cities - \$2.00 – Now available via the Commission’s website at: <http://www.rrc.state.tx.us/divisions/gs/rap/sixmcf.html>

Anyone who wishes to obtain a copy of any of the publications or maps listed in Section A should contact the Gas Services Division, P. O. Box 12967, Austin, Texas 78711-2967, (512) 463-7167.

**B. Interest Rate on Customer Deposits**

We have been advised by the Public Utility Commission that the interest rate to be applied to customer deposits in calendar year 2003 is 6.00%. All gas utilities should use this rate.

**2. PIPELINE SAFETY SECTION**

- A. Austin Headquarters - William B. Travis Building  
1701 North Congress, (78701)  
PO Box 12967  
Austin, Texas 78711-2967 Telephone (512) 463-7058

Mary L. McDaniel, P.E., Assistant Director  
William (Bill) Dase, Jr., P.E., Engineer  
Terry Pardo, P.E., Engineer  
K. David Born, Field Operations Manager  
Lee Thying, P.E., Engineer  
Maurice Curd, Program Administrator

Amarillo Region 1 - 7102 IH-40 West, Bldg. C., Amarillo, Texas 79106 Telephone (806) 468-7486

Alan Mann, Engineering Specialist

Midland Region 2 - Petroleum Building, 214 West Texas, Suite 803, Midland, Texas 79701 Telephone (915) 570-5884

Glenn Taylor, Area Supervisor (Midland/Amarillo)  
Larry Felio, P.E., Engineer  
Keith Smith, Engineering Specialist  
Tim Murray, Engineering Specialist (Abilene)

Kilgore Region 3 - 619 Henderson Boulevard, Kilgore, Texas 75662 Telephone (903) 984-8581

Bob Oldham, Engineering Specialist  
James Alexander, Engineering Specialist  
Jerry Hill, Engineering Specialist

Austin Region 4 - 1701 North Congress, P. O. Box 12967, Austin, Texas 78711 Telephone (512) 463-7050

Kendall Smith, Area Supervisor  
Johnny Burgess, Engineering Specialist  
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Danny Nichols, Area Supervisor  
Jerry Hoff, Engineering Specialist  
Jim Arnold, Engineering Specialist  
Randy Vaughn, Engineering Specialist  
Gregory Johnson, Engineering Specialist  
Frank Henderson, Engineering Specialist  
John Jewett, Engineering Assistant

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Jody Kerl, P.E., Area Supervisor (Dallas/Kilgore)  
M. Kathryn Williams-Guzman, Engineering Specialist  
San Sein, Engineering Specialist  
Terry Sullivan, Engineering Assistant

Corpus Christi Region 7 -10320 IH-37, P.O. Box 10307, Corpus Christi, Texas 78460-0307 Telephone (361) 242-3117

Don Gault, Area Supervisor  
Steven Rios, Engineering Specialist  
Jesse Cantu, Jr., Engineering Specialist  
Ronda Lauderman, Engineering Assistant

**B. Monthly Summary (January)**

No. of distribution safety evaluations – 59  
No. of transmission safety evaluations - 70  
No. of liquid safety evaluations - 39  
No. of leak/calls - 52  
No. of accident investigations - 6  
No. of special investigations – 15

**C. Reporting of Pipeline Accidents****1) NATURAL GAS**

Accidents on intrastate gas systems involving \$5,000 property damage, a fatality or injuries, gas ignition, or that are judged significant must be reported by telephone within two hours, and the written report filed within thirty (30) days. Call the 24-hour emergency phone number (512)463-6788 to report an accident. For your convenience this priority phone line is used only to report emergencies.

**2) HAZARDOUS LIQUIDS**

Accidents on intrastate hazardous liquid pipelines reportable under 49 CFR Sections 195.50 and 195.52 and 16 TAC Section 7.84(a) must be reported by telephone within two hours and the required written report filed within thirty (30) days. Call the 24-hour emergency phone number (512)463-6788 to report an accident. For your convenience this priority phone line is used only to report emergencies.

**FERC Rules and Regulations:**

[Federal Register: May 13, 2003 (Volume 68, Number 92)]

[Notices]

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[DOCID:fr13my03-151]

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DEPARTMENT OF TRANSPORTATION

Research and Special Programs Administration (RSPA)

[Docket No. RSPA-98-4470]

Pipeline Safety: Meetings of the Pipeline Safety Advisory Committee

AGENCY: Office of Pipeline Safety, Research and Special Programs Administration, DOT.

ACTION: Notice, correction.

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SUMMARY: In the Federal Register Notice of May 1, 2003, (68 FR 23357) the Research and Special Programs Administration's Office of Pipeline Safety (OPS) published a notice document regarding a meeting of the Technical Pipeline Safety Standards Committee. The DATES section of this notice should be corrected to read as follows:

DATES: The meetings will be held on Wednesday, May 28 from 1:30 p.m. to 5 p.m., Thursday, May 29 from 9 a.m. to 5 p.m., and Friday, May 30 from 9 a.m. to 4 p.m.

EFFECTIVE DATE: This correction takes effect May 1, 2003.

FOR FURTHER INFORMATION CONTACT: Cheryl Whetsel, OPS, (202) 366-4431, or Richard Huriaux, OPS, (202) 366-4565.

Issued in Washington, DC on May 6, 2003.

Stacey L. Gerard,

Associate Administrator for Pipeline Safety.

[FR Doc. 03-11779 Filed 5-12-03; 8:45 am]

BILLING CODE 4910-60-U

[Federal Register: May 27, 2003 (Volume 68, Number 101)]  
[Notices]  
[Page 28884]  
From the Federal Register Online via GPO Access [wais.access.gpo.gov]  
[DOCID:fr27my03-113]

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## DEPARTMENT OF TRANSPORTATION

Research and Special Programs Administration

[Docket No. RSPA-01-9832]  
RIN 2137-AD59

Pipeline Safety: Hazardous Liquid Pipeline Operator Annual Report Form

AGENCY: Research and Special Programs Administration (RSPA), Department of Transportation.

ACTION: Notice and request for comments.

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SUMMARY: In accordance with the Paperwork Reduction Act of 1995, the RSPA Office of Pipeline Safety (OPS) published a Notice of Proposed Rulemaking (NPRM) on July 26, 2002, announcing RSPA's/OPS's intention to collect pipeline characteristics information via a hazardous liquid pipeline operator annual report form. RSPA/OPS received comments on the proposed form and changed the form accordingly. RSPA/OPS discussed the changes with the Technical Hazardous Liquids Pipeline Safety Standards Committee (THLPSSC) on March 25, 2003. RSPA/OPS has posted the proposed form in the docket so that the THLPSSC can review it.

RSPA/OPS will hold a public meeting (see docket RSPA-97-2426) on May 28, 2003, to discuss potential improvements to the current standard for data submission to the National Pipeline Mapping System. The meeting will include a discussion about whether, at a future date, some information sought by the proposed hazardous liquid annual report form may alternatively be obtained through the National Pipeline Mapping System.

ADDRESSES: You may submit written comments by mail or delivery to the Dockets Facility, U.S. Department of Transportation, Room PL-401, 400 Seventh Street, SW., Washington, DC 20590-0001. The Dockets facility is open from 10 a.m. to 5 p.m., Monday through Friday, except Federal holidays. Comments should identify the docket number of this notice, RSPA-01-9832. You should submit the original and one copy. If you wish to receive confirmation of receipt of your comments, you must include a stamped, self-addressed postcard.

You may also submit or review comments electronically by accessing the Docket Management System's home page at <http://dms.dot.gov>. Click on "Help & Information" for instructions on how to file a document electronically. All written comments should identify the docket and notice numbers stated in the heading of this notice.

Anyone is able to search the electronic form of all comments received into any of our dockets by the name of the individual submitting the comment (or signing the comment, if submitted on behalf of an association, business, labor union, etc.). You may review DOT's complete Privacy Act Statement in the Federal Register published on April 11, 2000 (volume 65, number 70; pages 19477-78), or you may visit <http://dms.dot.gov>.

FOR FURTHER INFORMATION CONTACT: Roger Little, by telephone, at 202-366-4569; by fax at 202-366-4566; by mail at U.S. Department of Transportation, RSPA, 400 Seventh Street, SW., Room 7128, Washington, DC, 20590; or by e-mail at [roger.little@rspa.dot.gov](mailto:roger.little@rspa.dot.gov).

Issued in Washington, DC on May 20, 2003.  
Richard D. Huriaux,  
Manager, Regulations, Office of Pipeline Safety.  
[FR Doc. 03-13065 Filed 5-23-03; 8:45 am]



BILLING CODE 4910-60-P

**AUDIT SECTION**

- A. Maintains headquarters and three district offices as follows:  
Headquarters - William B. Travis Building  
1701 North Congress, P. O. Box 12967, Austin, Texas 78701  
Ed Abrahamson, Assistant Director

Telephone (512) 463-7022

Dallas District- 1546 Rowlett Rd., Suite 107, Garland, Texas 75043

Telephone (972) 240-5757;  
Fax (972) 303-1897Stephen Cooper, Auditor  
Josh Settle, Auditor

Austin District- P. O. Box 12967, Austin, Texas 78711-2967

Telephone (512) 463-7022

Houston District- 1706 Seamist Drive. Suite 501, Houston, Texas 77008-3135

Telephone (713) 869-8425;  
Fax (713) 869-3219Dale Francis, Auditor  
Margie Stoney, Auditor  
Konata Uzoma, Auditor  
Lekisha Churchwell, Auditor  
Larry Alcorn, Auditor

B. **Gas Utility Tax, Annual Reports and Audit Reports**

Questions relating to gas utility tax, annual reports and audit reports, call Shannon L. Miller at (512) 463-7022.

C. **Available Information**

Copies of company annual reports (1994 to present), as well as information relating to any of the above, A through C, are available for review at the William B. Travis Building, Gas Services Division, 9th Floor, 1701 North Congress. All requests for copies must be made in writing and should be addressed to the Audit Section. Copies will be provided for a fee, depending on the volume of copy work desired, allow a minimum of five days for completion of requests. Inquiries regarding copies should be directed to the Audit Section at (512) 463-7022, or Fax your request to (512) 475-3180.

4. **REGULATORY ANALYSIS AND POLICY**

- A. Maintains the following office to assist you:

Headquarters - William B. Travis Building  
1701 North Congress, P.O. Box 12967, Austin, Texas 78711  
Bill Geise, Special Project Director

Telephone (512) 463-7164

B. **Gas Utilities Information Bulletin**

Published on the Commission's web site at: <http://www.rrc.state.tx.us/divisions/gs/rap/rapbls.html>.

C. **Proposals For Decision**

Published on the Commission's web site at: <http://www.rrc.state.tx.us/divisions/gs/rap/pfds.html>.

D. **Tariff Filings**

Questions pertaining to the filing of tariffs and/or quality of service rules should be directed to Kathy Arroyo, Yolanda Lovelace or Sandra Soto at (512) 463-7164.

E. **Curtailments**

Curtailment questions should be referred to Sandra Soto at (512) 463-7164. Curtailment reports made Monday through Friday, 8:00 a.m. to 5:00 p.m., should be made to (512) 463-7164. Curtailment reports made during hours other than those specified above and holidays, should be made to (512) 463-6788, (512) 896-3863 (digital pager), (512) 892-1772 or (512) 280-5949.

**F. Compliance Filings**

Questions regarding gas utilities docket compliance filing requirements should be referred to Jackie Standard at (512) 463-7164.

**G. Complaints and Inquiries**

All complaints and inquiries relating to the gas utility industry should be directed to the Regulatory Analysis and Policy section at (512) 463-7164.

**H. Pending RRC Rules and Regulations:**

GUD No. 9221 Amendments to Quality of Service Rules

GUD No. 9253 New Rule for Relocation Cost Recovery Factor

GUD No. 9257 Amendments to §7.450 Gas Distribution in Mobile Home Parks, Apartment Houses and Apartment Units.

GUD No. 9275 Amendments to §7.512 NGPA Section 311 Rate Review

GUD No. 9276 Amendments to §7.511 TUC Section 102.054 Sale, Transfer, Merger Reviews

GUD No. 9277 Amendments to §7.305 Curtailment Rule

GUD No. 9303 Amendments to §7.465 Abandonment Rule

GUD No. 9334 Amendments to §7.310 System of Accounts

**5. HEARINGS AND LEGAL ANALYSIS****A. Miscellaneous**

Anyone wishing to obtain copies of appendices to Orders appearing in Section 5 of this Bulletin should contact the Legal Division at (512) 463-7017.

**B. Status of Pending Cases**

The status of all pending cases listed in Section 3 of this Bulletin is for informational purposes only and is complete up to the time of printing of this Bulletin. For a more accurate status of pending cases, please call the Legal Division at (512) 463-7017.